

MAINE REVENUE SERVICES

**Income/Estate Tax Division
24 State House Station
Augusta, ME 04333-0024**

INSTRUCTIONAL PAMPHLET FOR INDIVIDUAL INCOME TAX

**Schedule NRH
Worksheet A
Worksheet B
Worksheet C**

for Nonresidents and Part-Year Residents

Use Maine Revenue Services' Web site (www.maine.gov/revenue) to download tax forms and instructions or obtain tax information, including tax laws and regulations.

To receive forms by mail, call (207) 624-7894. The forms line is available every day, 24 hours a day. Please allow two weeks to receive the forms you order.

For additional assistance with your tax questions, call (207) 626-8475. The taxpayer assistance lines are available weekdays, 8:00 a.m. - 5:00 p.m.

To arrange a payment plan, call (207) 621-4300. The lines are available weekdays, 8:00 a.m. - 5:00 p.m.

SCHEDULE NRH FOR MARRIED PERSON ELECTING TO FILE SINGLE

If you filed a **married joint** federal income tax return, you may elect to file as a single individual on the Maine return if either of the following two situations apply to you:

- 1) The residency status for you and that of your spouse were different for Maine during the tax year; or
- 2) Both you and your spouse were nonresidents of Maine for the entire tax year, but only one of you had Maine-source income during the tax year.

If your filing status on your federal return was single, head-of-household, or married separate, you cannot file using Schedule NRH.

Taxpayers using Schedule NRH must include a complete copy of their federal return (including all schedules and worksheets) with the Maine return when filing.

Please Note: Nonresidents and part-year residents must file a Maine return using the same filing status as properly used on the federal return and must complete **Form 1040ME and Schedule NR** (*for more information see Schedule NR*). However, if one spouse is a full-year Maine resident and the other spouse is not, and a joint federal return was filed, you have two options:

- 1) You can choose to file a joint Maine return as if both were full-year Maine residents; **OR**
- 2) Each can file a Maine return as a single individual using **Form 1040ME with Schedule NRH**. Each return must show the proper residency status. You may choose this option only if you filed a joint federal return.

If both spouses are nonresidents, and a joint federal return was filed, but only one spouse has Maine-source income, you have two options:

- 1) You can choose to file a joint Maine return and determine your joint tax liability as nonresidents using **Form 1040ME with Schedule NR** (*for more information see Schedule NR*); **OR**
- 2) The spouse who has Maine-source income can choose to file a return as a single individual using **Form 1040ME with Schedule NRH**.

Maine begins its income tax return with federal adjusted gross income, regardless of residency status. Your tax is first calculated as if you were a resident of Maine for the entire year. Nonresidents and part-year residents must then claim a credit (*calculated on Schedule NR or NRH using Worksheets A and B, and if necessary, Worksheet C*) based on the income that was earned outside Maine while a nonresident of Maine.

- ① *Do not begin the Maine return with only the income earned in Maine.*
- ① *Do not subtract the income earned outside Maine as a negative income modification on Maine Schedule I.*

Schedule NRH is designed to separate joint income between spouses and, if the filer is a nonresident or part-year resident, between Maine source income and non-Maine source income. Maine source income includes the following:

- 1) All income received while a resident of Maine.
- 2) Salaries and wages earned working in Maine, including any taxable benefits related to those earnings. **Except**, employees who do not ordinarily work in Maine do not have to file if they worked in Maine for less than 21 days or had no more than \$6,000 in gross income in Maine during the taxable year.
- 3) Income derived from or connected with the carrying on of a trade or business within Maine (including distributive share of income (loss) from partnerships and S corporations operating in Maine).
- 4) Shares of estate and trust income derived from Maine sources.
- 5) Income (loss) attributed to the ownership or disposition of real or tangible personal property in Maine.
- 6) Maine State Lottery or Tri-State Lottery winnings from tickets purchased within Maine on or after July 13, 1993.

Income from intangible sources, such as interest, dividends, annuities, most pensions and gains or losses attributable to intangible personal property, received by a nonresident of Maine is not subject to Maine income tax. However, if that income is related to a business or profession carried on in Maine, it would be subject to Maine income tax.

A part-year resident is subject to Maine income tax on all income derived while a resident of Maine, even if the income is received from out-of-state sources, plus any income derived from Maine sources during the tax year, except as described in #2 above.

Example 1

Fred Jones is a resident of Maine. His wife, Jane Jones, is a resident of Massachusetts. Each maintains a separate permanent home in their respective state of residency. Jane earns no income in Maine. They file a married joint federal return.

Fred and Jane have two options;

- 1) They could choose to file married joint with Maine as if both were full-year residents of Maine, or
- 2) Since Jane is not a resident of Maine, Fred could opt to file his own return with Maine using the single filing status. To do so, he would complete Schedule NRH. Jane would not file a Maine return in this situation.

The Jones' may choose either filing option in this example, depending on the option that results in the lower tax liability.

Example 2

Fred Jones is a resident of Maine. In June, Fred marries Jane who had been a resident of Massachusetts. Jane moves to Maine after the wedding and establishes her Maine residency. Jane leaves her job in Massachusetts and gets another job in Maine. They file a married joint federal return.

Fred and Jane have two options;

- 1) They could choose to file married joint with Maine as if both were full-year residents of Maine, or
- 2) Since Jane is a part-year resident and Fred is a full-year resident, each could file their own return with Maine using the single filing status. Each would complete a Schedule NRH along with their 1040ME form.

The Jones' may choose either filing option in this example, depending on the option that results in the lower tax liability.

Example 3

Fred and Jane Jones are residents of Massachusetts. Jane commutes to Kittery, Maine to work. Fred works in Boston, Massachusetts. They file a married joint federal return.

Fred and Jane have two options;

- 1) They could choose to file married joint with Maine as if both were nonresidents of Maine and use Schedule NR to calculate a nonresident credit, or
- 2) Since both Fred and Jane are nonresidents of Maine, but only Jane has Maine source income, Jane could file her own return with Maine using the single filing status. She would file as a nonresident of Maine. Fred would not file a Maine return in this situation.

The Jones' may choose either filing option in this example, depending on the option that results in the lower tax liability.

Example 4

Fred and Jane Jones are residents of Massachusetts. Fred and Jane both commute to Maine to work. They file a married joint federal return.

Because both have Maine source income and both have the same residency status, Fred and Jane must file a married joint, nonresident return with Maine. They may not elect to file as single individuals using Schedule NRH. They must use Schedule NR in order to claim a nonresident credit.

INSTRUCTIONS FOR COMPLETING SCHEDULE NRH

Schedule NRH is a complicated form. You should not try to complete the form without having read the specific line-by-line instructions. If you have difficulty completing any line on the form, refer back to the instruction for further information or call Maine Revenue Services for assistance.

Form 1040ME LONG FORM:

- 1) If you are electing to file a single return using Schedule NRH, enter your name, social security number and address on the **1040-ME long form**. Enter only your name and social security number on the Maine return. Do not include your spouse's name and social security number on the lines labeled "Your name" and "Your social security number," even if your spouse's name was first on your federal income tax return.
- 2) Check the age and blindness boxes if they apply to you. Do not complete the boxes for your spouse.
- 3) Check the box for **Single** for your filing status. Do not check the married filing joint or married filing separate boxes.
- 4) For personal exemptions, do not include your spouse. Enter the total number of exemptions shown on your federal return, less one.

SCHEDULE NRH:

- 5) Complete Schedule NRH, column A with information from Worksheet B, column A (include all income shown on your federal return). In Schedule NRH, column B, enter **your** portion of the income you reported in Schedule NRH, column A. If you and your spouse do not use separate accounting for earnings and deductions, then income other than wages is divided equally between you and your spouse. Additions and deductions are also divided equally between you and your spouse. Complete Schedule NRH, Column C only if you are a nonresident or part-year resident of Maine. In Schedule NRH, column C, enter the non-Maine source income that is included in Schedule NRH, column B. If you are a resident of Maine, leave Schedule NRH, column C blank even if you worked outside Maine. Also, do not enter your spouse's income in Schedule NRH, column C. *(The sum of Schedule NRH, column B and column C will not equal Schedule NRH, column A.)*
- 6) Complete Maine Schedule A if you have tax additions (Maine Schedule A, lines 1 through 3) or personal tax credits (Maine Schedule A, lines 5 through 7) such as a child-care credit. These tax additions or tax credits from Maine Schedule A must be prorated based on your portion of total income as shown in Column B on Schedule NRH. To prorate these items on Schedule A, multiply the dollar amount by the percentage on line 7, Column B of Schedule NRH.

Schedule NRH also has instructions on the form itself that tell you what information to enter on page 1 of Form 1040ME. These instructions are located on lines 4, 5, 6, 8, 9 and 11 of Schedule NRH.